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May 24, 2001

Mary L. Cottrell, Secretary  
Department of Telecommunications and Energy  
One South Station – 2<sup>nd</sup> Flr.  
Boston, MA 02110

**Re: Notice of Inquiry to Establish  
Guidelines for Service Quality Standards  
D.T.E. 99-84**

Dear Secretary Cottrell

NSTAR Electric and NSTAR Gas<sup>1</sup> (“NSTAR”) hereby respond to the Hearing Officer’s Memorandum dated April 9, 2001 requesting additional information on certain issues that had been raised in prior comments and that had been discussed at the technical conference on November 24, 2000. As with earlier rounds of comments in this proceeding, NSTAR has again joined with a number of other electric and gas distribution companies in a set of joint comments, which thoroughly address the issues identified in the Hearing Officer’s Memorandum. This letter is intended to emphasize NSTAR’s concerns with respect to several of those points, which will be followed by some additional comment on one of the Department’s questions which is of particular interest to NSTAR. That question, which deals with the subject of individual customer protection mechanisms, is of particular interest given NSTAR’s strong focus on individual customer service which is backed by its Service Guaranteed commitment.

As this proceeding nears a conclusion after approximately a year and a half of inquiry and several rounds of comments, it is NSTAR’s perspective that a fair degree of consensus has been achieved on a majority of the issues that have been raised. The primary performance measures for both electric and gas distribution companies have been identified and defined, and the basic principle of gauging performance against a company’s own historical data has been

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<sup>1</sup> NSTAR Electric and NSTAR Gas are the electric and gas distribution company affiliates of NSTAR and include Boston Edison Company, Cambridge Electric Light Company, Commonwealth Electric Company and NSTAR Gas Company (formerly know as Commonwealth Gas Company).

largely settled.<sup>2</sup> While some commenters still urge additional performance measures or data collection requirements, as reflected in the Department's questions concerning restricted work days and property loss damage reporting requirements, NSTAR believes that this is essentially micromanagement. Requiring additional duplicative measures and reporting requirements particularly given the extensive list already summarized in Attachment A to the Department's August 17, 2000 Order, is unnecessary and will only add cost and complexity.

The primary remaining issue before the Department relates to the penalty mechanism. On a layman's level, and without becoming consumed with statistical terminology, NSTAR is concerned that the service quality plan should remain focused on service quality and not simply on imposing penalties. Quality mechanisms that provide both rewards and penalties provide strong incentives for employees to improve quality. In contrast, quality mechanisms that provide only penalties tend to calcify systems, inhibiting improvements and change. As initially proposed by the Department in its August 17, 2000 Order, a penalty would be imposed in situations where there was as small as a single standard deviation variation from the average level of prior performance on a single performance measure. Since in some cases prior performance may be measured by only a few data points and since there is no symmetry to take into account either normal variations in data or good performance that might be deemed as an offset, NSTAR and the other joint utility commenters urged that an alternative statistical measure (the "T-statistic approach") be employed in determining whether a penalty should be imposed. The underlying statistical basis for the T-statistic approach and a response to the Department's detailed questions is outlined in considerable depth in the joint utility comments being filed herewith (as well as in the comments filed on November 9, 2000 and in the November 24, 2000 technical conference). In layman's terms, the proposed T-statistic approach results in a less frequent, but also less random and more fair, imposition of penalties only in situations that are more likely to be representative of actual declines in service quality rather than mere statistical blips.<sup>3</sup>

Turning to the Department's questions regarding individual customer protection mechanisms, it is NSTAR's position that such programs should be voluntary on the part of the individual distribution company. NSTAR's Service Guaranteed program is the only such program of which we are aware in Massachusetts, and is one of only a few such programs among distribution companies in the United States. Service Guaranteed represents NSTAR's commitment to service beyond that which is required by regulation, and as such allows NSTAR

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<sup>2</sup> While the broad issues concerning what performance measures should be used have been largely settled, NSTAR would continue to urge the Department to allow flexibility within each individual company's service quality plan so as to reflect the unique circumstances of that company's service territory, history (*e.g.*, reflecting mergers), or historical data. Similarly NSTAR believes that allowing for such flexibility may also be the most appropriate way to encourage innovation or to take into account new technological developments which may possibly lead to improved service quality.

<sup>3</sup> It bears mentioning once again that much of the concern over the statistics associated with the penalty mechanism would subside were the Department to reconsider its position regarding the utilization of a more symmetrical mechanism, or a mechanism similar to that approved in connection with the Massachusetts Electric Company rate plan. See D.T.E. 99-47.

to differentiate its service offerings from those of other companies. NSTAR does not regard Service Guaranteed as a penalty program to be mandated by regulation, but rather as a means of providing added customer value.

Under the Service Guaranteed program, NSTAR offers its customers financial guarantees for the prompt and accurate delivery of specific services. The six guarantees are:

1. Accurate actual meter readings
- 2. Appointments on schedule
3. Accurate direct or phone pay billing systems
4. New residential service line connections on time
5. Prompt answers to billing questions
6. Notification of scheduled service interruptions

The amount of the financial guarantee is \$25.00, with the exception of the new residential service line connection where the offer is to pay the first month's bill up to a maximum of \$100.00. Service Guaranteed is viewed by NSTAR as an ongoing program that identifies opportunities to improve operations. NSTAR also sees the program as flexible and wishes to retain the ability to change the program to meet the demands of our customers in the future. NSTAR believes that the voluntary nature of such a program, and the ability to change the program to meet future needs, are important elements that might be lost if the program were simply another regulatory requirement. NSTAR regards programs such as Service Guaranteed as the most effective manner in keeping customers satisfied – a joint goal of the Department and the Company. Performance guarantees focus compensation only on the affected customers and do so in a related time scale. Performance penalties spread across all customers after a significant lag of time have little direct relevance for customers.

In closing, NSTAR appreciates the opportunity to highlight a few of the points that it believes to be of particular concern. The Department is referred to the extensive joint utility comments for a more detailed response to each of the questions presented by the Department.

Respectfully submitted,



William S. Stowe

cc: Caroline M. O'Brien, Hearing Officer  
Glenn Shippee, Analyst, Rates and Revenue Division